

I. 1970/71 - 1974/75 FORECAST - OPERATING REQUIREMENTS

A. Maintenance of Current Service

1. Built-in Costs

(Price Increases - representing cost increases in the basic cost of operations).

a) Wages and Salaries

Wage and salary cost increases in the form of economic and "other", the latter covering automatic, merit, and a number of offsetting changes such as staff turnover, promotions, etc., are expected to be 8% in 1970/71 - with 2% of this considered to be "other". A slight decline in that rate of acceleration is expected in 1971/72 to 7% with the same 2% rate for "other" included. This 7% rate will be continued for the remainder of the forecast. Overtime and other employment costs are expected to move in the same manner as wages and salaries.

These wage rate changes are maintained at a higher than the long term historical level because it is expected that the Canadian economy will continue to experience problems of inflation. Gross National Product in real terms, that is excluding price, from 1969 to 1974, is expected to continue its rapid rate of increase somewhere around the 5% level. Past economic studies have shown that when this rapid growth occurs demands are made on certain sectors of the economy which cannot be met and prices normally increase as a result. In 1965 and 1966, for instance, the unusual demands made on the Canadian construction industry formed a chain reaction of price changes which eventually permeated through all sectors of the economy. The same problem, but to a lesser degree, is forecast as continuing through the budget forecast. A dampening feature, difficult to predict, is the end of hostilities in Vietnam which will cause adjustments in the U.S.A. with some impact on Canada.

b) Performer Fees

Performer and artist fees are expected to increase at a rate in line with the economic salary and wage increases.

c) Other Price Increases

Price increases provided for on other object of expense over the forecast period are based on historical trends, expected changes in the business cycle, D.B.S. indices and other information and are as follows:

	<u>1970/71</u>	<u>% Changes</u> Remaining 4 Years
1) Film Rights	3.0	3.0% per year
2) Recording & Film Processing	1.9	starting at 1.4% and ending at 1.4%
3) TV Staging & Other Production Expenses	4.0	starting at 1.7% and ending at 1.6%
4) Maintenance of Technical Equipment	0.4	starting at 0.7% and ending at 0.6%
5) Building Rental & Maintenance	5.3	starting at 6.5% and ending at 3.5%